Quicksilver Recording Company Limited

(Registered Number: 2281402)

Directors' Report and Financial Statements for the eighteen month period ended 30 June 1999

Quicksilver Recording Company Limited

Directors' Report for the eighteen month period ended 30 June 1999

The directors present their annual report and the audited financial statements for the eighteen month period ended 30 June 1999.

Principal activity and future developments

The principal activity of the company during the period was that of a record company. The company expects this activity to continue for the forseeable future.

On 10 December 1998, The Seagram Company Ltd. ("Seagram") acquired 99.5% of the outstanding shares of Polygram N.V., the company's former parent. As a result of this transaction, the company's ultimate parent undertaking became Seagram.

On 8 December 2000, the company's ultimate parent undertaking, Seagram, Vivendi SA ("Vivendi") and Canal Plus SA, an entity which was approximately 49% owned by Vivendi, completed a merger of the three companies. As a result of this transaction, the company's ultimate parent undertaking is now Vivendi Universal.

Business review

The results of the company for the eighteen month period ended 30 June 1999 are given in the profit and loss account on page 5 of the financial statements. Trading was in line with the directors' expectations.

Change of accounting reference date

On 23 December 1998, the company changed its accounting reference date from 31 December to 30 June.

Results and dividends

The company's loss for the financial period is £19,000 (1997: loss of £458,000).

The directors do not recommend payment of a dividend (1997: £nil). The loss for the period has been transferred to reserves.

Directors and their interests

The directors who held office during the eighteen month period ended 30 June 1999 were as follows:

GS Barwood	(resigned 12 February 1998)
C Sugrue	
SP Martin	(resigned 01 July 1999)
JP White	(appointed 01 July 1999)

At no time during the eighteen month period ended 30 June 1999 did any director have any interest which is required to be notified to the company under S324 of the Companies Act 1985.

Quicksilver Recording Company Limited

Directors' Report for the eighteen month period ended 30 June 1999 (continued)

Year 2000

The company has experienced little disruption or malfunction since 1 January 2000 arising from its own computer systems or equipment with embedded date-reliant computer chips.

The total cost to complete modifications to its computer hardware and software was nil (1997: nil).

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Elective resolutions

On 14 April 1998, an elective resolution under section 379A of the Companies Act 1985 was passed in respect of dispensing with the following provisions:

- The laying of the annual report and financial statements before the company in general meeting;
- The holding of an annual general meeting; and
- The requirement to reappoint annually the registered auditors of the company in general meeting.

The provisions of this elective resolution will apply for subsequent years until the election is revoked.

Quicksilver Recording Company Limited

Directors' Report for the eighteen month period ended 30 June 1999 (Continued)

Auditors

On 11 January 1999, KPMG resigned as the company's auditors and PricewaterhouseCoopers were appointed. PricewaterhouseCoopers have expressed their willingness to continue in office.

By order of the Board

JP White
Director

1 Sussex Place
London
W6 9XS

31 January 2001

Auditors' report to the members of Quicksilver Recording Company Ltd.

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 1999 and of its loss for the eighteen month period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

31 January 2001

Quicksilver Recording Company Limited

Profit and loss account
for the eighteen month period ended 30 June 1999

	Note	18 month period ended 30 June 1999 £'000	Year ended 31 December 1997 £'000
Turnover	*3*	**359**	341
Cost of sales		**(387)**	(879)
Gross loss		**(28)**	(538)
Administrative expenses		**(1)**	(160)
Loss on ordinary activities before taxation	*4*	**(29)**	(698)
Tax on loss on ordinary activities	*7*	**10**	240
Retained loss for the financial period	*12*	**(19)**	(458)

All of the company's results are derived from continuing operations.

The company has no recognised gains and losses other than the loss reported above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the results as reported above and their historical cost equivalents.

Quicksilver Recording Company Limited

Balance sheet as at 30 June 1999

	Note	30 June 1999 £'000	31 December 1997 £'000
Current assets			
Debtors	*8*	**1,957**	1,765
Cash at bank and in hand		**-**	3
		1,957	1,768
Creditors: amounts falling due within one year	*9*	**(5,543)**	(5,335)
Net liabilities		**(3,586)**	(3,567)
Capital and reserves			
Called up share capital	*11*	**-**	-
Profit and loss account	*12*	**(3,586)**	(3,567)
Equity shareholders' deficit	*12*	**(3,586)**	(3,567)

The financial statements on pages 5 to 12 were approved by the board of directors on 31 January 2001 and were signed on its behalf by:

Director

Quicksilver Recording Company Limited

Notes to the financial statements for the eighteen month period ended 30 June 1999

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The financial statements have been prepared on a going concern basis as the company has received confirmation from Seagram, an intermediate parent undertaking to the company, that it will continue to provide financial and other support to the extent necessary to enable the company to continue to pay its liabilities as and when they become due for a period not less than one year from the date of approval of these financial statements.

b) Turnover

Turnover represents the invoiced value of services excluding value added tax.

c) Royalties receivable

Amounts receivable from licenses are incorporated in the accounts as follows:

(i) United Kingdom royalties are credited to the profit and loss account in the year in which they are received. Overseas third party royalties are credited to the profit and loss account in the year in which they are earned. Overseas group royalties are credited to the profit and loss account in the year in which they are paid.

(ii) Non-returnable advances received from overseas licenses which the directors consider will not be recouped by royalty earnings are credited to the profit and loss account over the period to which the contracts refer.

(iii) Non-returnable advances from overseas licensees are credited to the profit and loss account in the period in which they are recouped by the licensee.

d) Royalties payable

Royalties payable are charged against the relevant income of the same period.

Royalty advances and amounts in respect of product masters paid to artists are written off to the profit and loss account to the extent that, in the directors' opinion, these amounts are irrecoverable. The directors have regard to the anticipated life of the related product and its earnings potential in determining those amounts to be written off and those regarded as recoverable against future sales.

Quicksilver Recording Company Limited

Notes to the financial statements for the eighteen month period ended 30 June 1999 (continued)

1 Accounting policies (continued)

e) Deferred taxation

The charge for taxation is based on the profit/loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise, calculated at a rate at which it is estimated that taxation will be payable.

f) Pensions and other post retirement benefits

During the period, the company was a member of the Philips Pension Fund, a funded mixed benefit scheme. Contributions to this group scheme are based on a common rate throughout the members of the Philips group and are assessed on a menial basis in accordance with the advice of a qualified actuary using the projected unit method. Pension costs in relation to the defined benefit section of the scheme are charged to the profit and loss account so as to spread the cost over employees' working lives within the group. Actuarial surpluses and deficits are amortised on a straight line basis over the average remaining service lives of the employees. Pension costs in relation to the defined contribution section of the scheme are charged to the profit and loss account as incurred.

2 Cash flow statement and related party disclosures

Until 8 December 2000, the company was a subsidiary undertaking where 90% or more of the voting rights were controlled within The Seagram Company Ltd. group and was included in the consolidated financial statements of that group, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Seagram group or investees of that group.

3 Segmental reporting

Turnover and pre-tax profit are attributable to one activity, the sale of pre-recorded music. Turnover is derived exclusively from the United Kingdom.

4 Loss on ordinary activities before taxation is stated after charging:

	18 month period ended 30 June 1999 £'000	Year ended 31 December 1997 £'000
Depreciation of tangible fixed assets	-	3

Certain administration expenses including the auditor's remuneration are borne by other UK group undertakings.

Notes to the financial statements for the eighteen month period ended 30 June 1999 (continued)

5 Directors' emoluments

	18 month period ended 30 June 1999 £'000	Year ended 31 December 1997 £'000
Directors' emoluments	-	45

No retirement benefits were accruing to any director under money purchase or defined schemes.

6 Staff numbers and costs

	18 month period ended 30 June 1999 £	Year ended 31 December 1997 £'000
Wages and salaries	-	72
Social security costs	-	3
	-	75

There was no pension charge during the period (31 December 1997: £nil) (note 12).

The average monthly number of persons (including directors) employed by the company during the period was nil (1997: 4).

Notes to the financial statements for the eighteen month period ended 30 June 1999 (continued)

7 Tax on loss on ordinary activities

Corporation tax has been provided at 30% (1997: 31.5%).

	18 month period ended 30 June 1999 £'000	Year ended 31 December 1997 £'000
Current year		
Group relief receivable	10	240
Deferred taxation	-	-
	10	240

8 Debtors: amounts falling due within one year

	1999 £'000	1997 £'000
Recoverable advances and product masters	53	105
Amounts due from group undertakings	1,904	1,621
Prepayments and accrued income	-	38
	1,957	1,765

9 Creditors: amounts falling due within one year

	30 June 1999 £'000	31 December 1997 £'000
Trade creditors	68	27
Amounts due to group undertakings	5,420	5,149
Other creditors	55	159
	5,543	5,335

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

Quicksilver Recording Company Limited

Notes to the financial statements for the eighteen month period ended 30 June 1999 (continued)

10 Provisions for liabilities and charges

	Provided in the financial statements		Full potential asset/(liability)	
	1999	1997	1999	1997
	£'000	£'000	£'000	£'000
Deferred taxation provided in the accounts comprises:				
Other timing differences	-	-	2	58

11 Share capital

	1999	1997
	£	£
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	2	2

12 Reconciliation of shareholders' deficit and movements on reserves

	Share Capital	Profit And Loss Account	Total Equity Shareholders' Deficit
	£'000	£'000	£'000
At 31 December 1997		(3,567)	(3,567)
Loss for the period	-	(19)	(19)
At 30 June 1999	-	(3,586)	(3,586)

13 Pension commitments

Following the acquisition of PolyGram N.V. by Seagram on 10 December 1998, the company's employees continued to participate in the Philips' Pension fund until 30 November 1999. During this participation the former PolyGram N.V. owned companies contributed 12.8% of participating members' Scheme Salaries.

Valuations are carried out on a triennial basis. The most recent valuation was undertaken by the independent actuaries, Bacon & Woodrow as at 31 March 1997 using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that investment returns would be 8.75% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 4.5% per annum.

The 31 March 1997 valuation showed that the market value of the scheme's assets was £1,645 million and that the actuarial value of those assets represented 113% of the benefits accrued before 31 March 1997, after allowing for expected future increases in earnings.

The long term contribution rates revealed by the valuation were 12.8% for the company, and 6% for employees.

Following the change of ownership of the company, employees were eligible to join the Seagram Distillers PLC Pension Scheme under mirror terms.

The group has no significant exposure to any other post-retirement benefits obligations.

14 Ultimate parent undertaking

Following the sale of Philips Electronics N.V.'s holding in PolyGram N.V. (effective date 10 December 1998) the company's ultimate parent undertaking became The Seagram Company Ltd, incorporated in Canada.

The smallest group to consolidate these financial statements is headed by Centenary Holdings N.V. incorporated in The Netherlands. The consolidated accounts are available to the public and may be obtained from the Company Secretary at Drentestraat 24, 1083 HK, Amsterdam, The Netherlands.

The largest group to consolidate these financial statements is headed by The Seagram Company Ltd. The consolidated accounts are available to the public and may be obtained from the Company Secretary at 1430 Peel Street, Montreal, Quebec, H3A 1S9, Canada.

15 Post balance sheet event

On 8 December 2000, the company's ultimate parent undertaking, Seagram, Vivendi SA ("Vivendi") and Canal Plus SA, an entity which was approximately 49% owned by Vivendi, completed a merger of the three companies. As a result of this transaction, the company's ultimate parent undertaking is now Vivendi Universal.